

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 3429 - SB 3469**

February 22, 2010

**SUMMARY OF BILL:** Creates a deposit system to encourage recycling of certain beverage containers. Requires the creation of the Deposit Beverage Container Fund for which all refundable deposits and container recovery fees are deposited. Requires the Department of Environment and Conservation (TDEC), with assistance from the Department of Revenue (DOR), to administer the program. Requires the Comptroller to conduct periodic audits of the program.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**\$1,128,800/FY10-11/Deposit Beverage Container Fund  
\$73,171,700/FY11-12/Deposit Beverage Container Fund  
\$216,505,000/FY12-13/Deposit Beverage Container Fund  
\$220,375,000/FY13-14 and Subsequent Years/  
Deposit Beverage Container Fund**

**Increase State Expenditures –**

**\$2,323,600/FY10-11/Deposit Beverage Container Fund  
\$53,119,900/FY11-12/Deposit Beverage Container Fund  
\$192,138,900/FY12-13/Deposit Beverage Container Fund  
\$197,384,900/FY13-14 and Subsequent Years/  
Deposit Beverage Container Fund**

**Increase Local Revenue – Net Impact – Not Significant**

**Increase Local Expenditures – Net Impact – Not Significant**

**Assumptions:**

- Based on information from the Container Recycling Institute data, the total number of deposit beverage containers consumed in Tennessee is estimated to be approximately 4.3 billion per year.
- Deposit collections of \$0.05 per container will begin on March 1, 2012. Collections will occur for approximately 1.43 billion containers.

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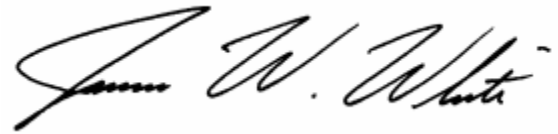
- Total deposit collections in FY11-12 will be \$71,666,700 ( $1,430,000,000 \times \$0.05$ ).
- Total deposit collections in FY12-13 will be \$215,000,000 ( $4,300,000,000 \times \$0.05$ ).
- This bill requires each distributor to pay a recovery fee beginning October 1, 2009. Distributors however, are not required to register with DOR until September of 2010. No recovery fees will be collected until October of 2010. A recovery fee of \$0.00035 will be charged to every deposit beverage distributor for every container from October 1, 2010 through July 1, 2013.
- Total recovery fee collections in FY10-11 from 3.225 billion containers will be approximately \$1,128,800 ( $\$0.00035 \times 3,225,000$ ).
- Total recovery fee collections in FY11-12 and FY12-13 will be approximately \$1,505,000 each year ( $\$0.00035 \times 4,300,000$ ).
- Recovery fees will increase to \$0.00125 per container beginning July 1, 2013. Total recovery fee collections in FY13-14 and subsequent years will be \$5,375,000.
- Beginning March 1, 2012, each distributor will pay a deposit of \$0.05 per container. Total collections from deposits will be \$71,666,700 in FY11-12 and \$215,000,000 in FY12-13 and subsequent years.
- Bottles will be redeemed for five-cents at a rate of 68 percent in FY11-12; 70 percent in FY12-13; 72 percent in FY13-14; and 74 percent in FY13-14 and in each subsequent fiscal year.
- Deposit payments will begin on April 1, 2012. Approximately 1.075 billion containers will be consumed during this period.
- Refundable deposits paid in FY11-12 will be approximately \$36,550,000 ( $\$0.05 \times 1,075,000,000 \text{ containers} \times 68\% \text{ redemption}$ ).
- Refundable deposits paid in FY12-13 will be approximately \$150,500,000 ( $\$0.05 \times 4,300,000,000 \text{ containers} \times 70\% \text{ redemption}$ ).
- Refundable deposits paid in FY13-14 and subsequent years will be approximately \$154,800,000 ( $\$0.05 \times 4,300,000,000 \text{ containers} \times 72\% \text{ redemption}$ ).
- A handling fee of \$0.01 per container will be paid to redemption center processors.
- Handling fees paid in FY11-12 will be approximately \$7,310,000 ( $\$0.01 \times 1,075,000,000 \text{ containers} \times 68\% \text{ redemption}$ ).
- Handling fees paid in FY12-13 will be approximately \$30,100,000 ( $\$0.01 \times 4,300,000,000 \text{ containers} \times 70\% \text{ redemption}$ ).
- Handling fees paid in FY13-14 will be approximately \$30,960,000 ( $\$0.01 \times 4,300,000,000 \text{ containers} \times 72\% \text{ redemption}$ ).
- An administrative fee will be paid to processors equal to two percent of the total refund value of containers processed.
- Administrative payments in FY11-12 will be approximately \$731,000 ( $2\% \times \$0.05 \times 1,075,000,000 \text{ containers} \times 68\% \text{ redemption}$ ).
- Administrative payments in FY12-13 will be approximately \$3,010,000 ( $2\% \times \$0.05 \times 4,300,000,000 \text{ containers} \times 70\% \text{ redemption}$ ).
- Administrative payments in FY13-14 will be approximately \$3,096,000 ( $2\% \times \$0.05 \times 4,300,000,000 \text{ containers} \times 72\% \text{ redemption}$ ).
- County litter grants are funded from portions of the beer barrelage tax and the bottler's gross receipts tax.

- Based on information provided by the Departments of Revenue (DOR) and Transportation (TDOT), funding for county litter grant programs is estimated to be \$5,800,000 in FY09-10. Such amount is assumed to remain constant in subsequent fiscal years under current law.
- Taxes which currently fund county litter grants will no longer be authorized for collection if this bill passes. As a result, funding for county litter programs will be paid from gross revenue generated from this act each year.
- Given that state and local option sales tax is computed on beer barrelage tax and bottler's gross receipts tax, state and local sales tax revenue is expected to decrease when the portions of such taxes are no longer authorized for collection. The decrease to state revenue is estimated to be \$406,000 per year ( $\$5,800,000 \times 7.0\%$  state rate). Assuming an average local option sales tax rate of 2.5 percent, the decrease to local government revenue is estimated to be \$145,000 per year ( $\$5,800,000 \times 2.5\%$ ).
- According to the Department of Treasury, any cost to administer the account created by this bill can be accommodated within existing resources without an increased appropriation or reduced reversion.
- Based on information provided by the Office of the Comptroller, the increase to state expenditures resulting from required audit responsibilities is estimated to be \$55,000 each year the Comptroller is required to perform an audit.
- The bill requires the Comptroller to perform audits for FY11-12 and FY12-13, and for each fiscal year thereafter ending in even-numbered years. Costs related to the audits are assumed to be incurred in the subsequent fiscal year. Therefore, the increase to state expenditures of \$55,000 is projected for FY11-12, FY12-13, and for fiscal years ending in odd numbers thereafter.
- According to TDEC, 19 additional positions will be required to implement certain provisions of this bill. The associated increase to recurring state expenditures is estimated to be \$1,739,200 per year (\$897,600 salaries, \$305,200 benefits, \$536,400 operational expenditures). One-time state expenditures related to these positions is estimated to be \$68,400 (computers, software, communications, etc.).
- According to DOR, the Department will require three Taxpayer Services Representative 2 positions to implement certain provisions of this bill. The associated increase to recurring state expenditures is estimated to be \$126,100 per year (\$79,800 salaries, \$27,200 benefits, \$19,100 other). One-time state expenditures related to these additional positions is estimated to be \$14,100 (computers, software, communications, etc.).
- DOR will require three additional field audit positions and two revenue technicians to handle refunds and provide needed support for field staff. Recurring costs are estimated to be \$257,600 (\$159,000 salary, \$54,100 benefits, and \$44,500 operational expenditures). One-time costs associated with these positions are \$27,000 (computers, software, communications, etc.).
- Additional one-time state expenditures of \$91,200 for 2,370 programming hours for DOR to make required computer and software modifications to departmental systems.

- All state expenditures and all reductions to state or local government revenue incurred as a result of this bill shall be reimbursed to appropriate authorities from the gross revenue generated from this act.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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